

Tax Incentive Evaluation: Interactive Entertainment Tax Credit

DOAA summary of report prepared by Georgia Southern University's Center for Business Analytics and Economic Research

BACKGROUND

The Qualified Interactive Entertainment Production Company (QIEPC) tax credit (O.C.G.A. § 48-7-40.26) is available to businesses primarily engaged in qualified activities that also have a physical location in Georgia, minimum in-state payroll of \$250,000, and gross income below \$100 million. The base tax credit is 20% of project expenditures, with an additional 10% available if companies add a Georgia logo to their game. The credit's aggregate cap is \$12.5 million annually, while a single company is limited to \$1.5 million in a year.

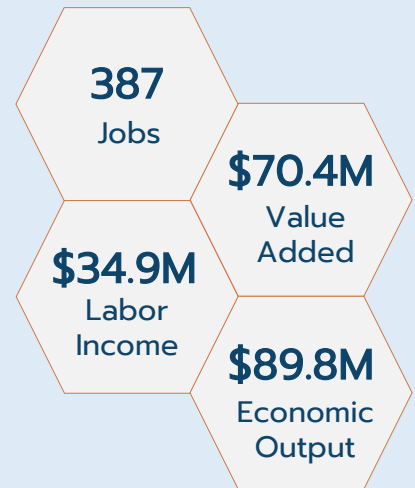
This review was requested by the Senate Finance Committee and performed in accordance with O.C.G.A. § 28-5-41.1. Georgia Southern University's Center for Business Analytics and Economic Research (CBAER) prepared the report.

ECONOMIC ACTIVITY

CBAER estimated that the qualifying investment by companies receiving the QIEPC tax credit led to 387 jobs in 2021. Amounts on the right are for 2021.

Not all jobs that receive the tax credit are created solely due to the presence of the credit, though CBAER was unable to provide a precise estimate of those that would exist in its absence. CBAER noted that while the Georgia industry was much larger than companies receiving the credit, the credit was a factor in retaining smaller companies because it provided an important source of funds to offset expenses.

O.C.G.A. § 28-5-41.1 requires the analysis to include net economic activity, which includes opportunity cost. If the credited taxes had been collected and expended by the state, CBAER estimated the creation of 110 jobs and total 2017-21 economic output of \$112.9 million.



*Attributes all qualifying investment to the credit, which may overstate the credit's impact.

REVENUE

The tax expenditure was estimated to total \$26 million for the 2017 to 2021 period and to grow to \$62.5 million for 2022 to 2026. In the first period, activity resulted in \$7.4 million in state tax and \$5.6 million in local tax revenue. The \$13.0 million total is expected to grow to \$14.9 in the next five-year period.

CBAER estimated that the alternate use of the revenue would generate \$3.5 million in state revenue and \$3.4 million in local revenue over five years.



* Tax expenditure includes claims made only on credits earned 2017-21

COST

The Departments of Economic Development and Revenue have **negligible costs** for credit administration.

PUBLIC BENEFIT

CBAER cited non-monetary benefits such as contributing to the development of new forms of entertainment, strengthening the development of the entertainment production industry, and strengthening the human capital needed for the software development industry.